

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name White Cloud Area Fire Department	County Newaygo
Audit Date March 31, 2006	Opinion Date May 12, 2006	Date Accountant Report Submitted to State: July 12, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- yes no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- yes no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- yes no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- yes no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- yes no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- yes no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- yes no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- yes no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- yes no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 12, 2006

To the Fire Board
White Cloud Area Fire Department
Newaygo County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of White Cloud Area Fire Department, Newaygo County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of White Cloud Area Fire Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the White Cloud Area Fire Department, Newaygo County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the White Cloud Area Fire Department covers the Fire Department's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net capital assets at March 31, 2006, totaled \$489,304.78.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the White Cloud Area Fire Department and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the White Cloud Area Fire Department in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the White Cloud Area Fire Department as a whole using accounting methods used by private companies. The statement of net assets includes all of the Fire Department's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Fire Department are reported as governmental activities.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the White Cloud Area Fire Department's funds, focusing on significant (major) funds not the Department as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Fire Board also may create them. Funds are established to account for funding and spending or specific financial resources and to show proper expenditures of those resources.

The White Cloud Area Fire Department has the General Fund, Building Fund, Budget Stabilization Fund, Auxiliary Fund, Firemen Fund, and the Capital Acquisition Fund.

FINANCIAL ANALYSIS OF THE FIRE DEPARTMENT AS A WHOLE

The operation of the Fire Department is funded by an amount equal to 1.5 mills from the City of White Cloud, the Townships of Everett, Lincoln and Wilcox, and that portion of Sherman Township in the Fire District.

FINANCIAL ANALYSIS OF THE FIRE DEPARTMENT'S FUNDS

The General Fund pays for most of the Fire Department's governmental services.

At year end the Fire Department has \$21,955.05 in the Capital Acquisition Fund. We have no liabilities.

The Fire Department has a Budget Stabilization Fund of \$7,000.00 and \$3,397.87 of cash in the Building Fund.

The Fire Department also has a Building Fund CD of \$15,520.91, which has been funded by fund raisers and private donations. No governmental money has been deposited in this fund.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Fire Department's governmental activities invested \$0 in capital assets.

The Fire Department had no activity on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

There are no known factors affecting future operations.

CONTACTING THE FIRE DEPARTMENT'S MANAGEMENT

If you have questions concerning this report, please contact the Fire Board Chairman at P.O. Box 911, White Cloud, Michigan 49349.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	85 656 14
Total Current Assets	<u>85 656 14</u>
NONCURRENT ASSETS:	
Capital Assets	801 362 45
Less: Accumulated Depreciation	<u>(312 057 67)</u>
Total Noncurrent Assets	<u>489 304 78</u>
TOTAL ASSETS	<u><u>574 960 92</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NONCURRENT LIABILITIES	<u>-</u>
Total Noncurrent Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	489 304 78
Unrestricted	<u>85 656 14</u>
Total Net Assets	<u>574 960 92</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>574 960 92</u></u>

The accompanying notes are an integral part of these financial statements.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Public safety	<u>188 488 27</u>	<u>157 387 80</u>	<u>(31 100 47)</u>
Total Governmental Activities	<u><u>188 488 27</u></u>	<u><u>157 387 80</u></u>	<u><u>(31 100 47)</u></u>
General Revenues:			
Interest			1 019 88
Miscellaneous			<u>44 075 53</u>
Total General Revenues			<u>45 095 41</u>
Change in net assets			13 994 94
Net assets, beginning of year			<u>560 965 98</u>
Net Assets, End of Year			<u><u>574 960 92</u></u>

The accompanying notes are an integral part of these financial statements.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2006

	<u>General</u>	<u>Building</u>	<u>Budget Stabilization</u>	<u>Firemen</u>
<u>Assets</u>				
Cash in bank	30 485 26	18 918 78	7 116 02	2 540 82
Due from other funds	116 02	-	-	-
Total Assets	<u>30 601 28</u>	<u>18 918 78</u>	<u>7 116 02</u>	<u>2 540 82</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	-	-	116 02	-
Total liabilities	<u>-</u>	<u>-</u>	<u>116 02</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	30 601 28	18 918 78	7 000 00	2 540 82
Total fund equity	<u>30 601 28</u>	<u>18 918 78</u>	<u>7 000 00</u>	<u>2 540 82</u>
Total Liabilities and Fund Equity	<u>30 601 28</u>	<u>18 918 78</u>	<u>7 116 02</u>	<u>2 540 82</u>

The accompanying notes are an integral part of these financial statements.

<u>Capital Acquisition</u>	<u>Other Funds</u>	<u>Total</u>
21 955 05	4 640 21	85 656 14
-	-	116 02
<u>21 955 05</u>	<u>4 640 21</u>	<u>85 772 16</u>
-	-	116 02
-	-	116 02
<u>21 955 05</u>	<u>4 640 21</u>	<u>85 656 14</u>
<u>21 955 05</u>	<u>4 640 21</u>	<u>85 656 14</u>
<u>21 955 05</u>	<u>4 640 21</u>	<u>85 772 16</u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	85 656 14
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	801 362 45
Accumulated depreciation	<u>(312 057 67)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>574 960 92</u>

The accompanying notes are an integral part of these financial statements.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>General</u>	<u>Building</u>	<u>Budget Stabilization</u>	<u>Firemen</u>
Revenues:				
City of White Cloud	23 682 67	-	-	-
Township of Everett	51 467 31	-	-	-
Township of Lincoln	38 745 67	-	-	-
Township of Sherman	14 889 00	-	-	-
Township of Wilcox	28 603 15	-	-	-
Interest	265 00	520 91	233 97	-
Miscellaneous	12 802 18	3 184 24	-	15 451 00
Total revenues	170 454 98	3 705 15	233 97	15 451 00
Expenditures:				
Fire protection:				
Administrative Board:				
Per diem	3 875 00	-	-	-
Bookkeeper	6 131 40	-	-	-
Fire run reports	1 458 00	-	-	-
Supplies	695 18	-	-	-
Audit	1 200 00	-	-	-
Miscellaneous	289 56	-	-	-
Building and grounds:				
Supplies	123 93	-	-	-
Utilities	8 324 46	-	-	-
Repairs and maintenance	1 015 97	-	-	-
Miscellaneous	52 97	-	-	-
Fire Department:				
Salaries	4 374 00	-	-	-
Wages – firefighters	24 922 70	-	-	-
Supplies	22 549 14	468 64	-	15 233 66
Transportation	1 004 68	-	-	-
Maintenance	29 247 50	-	-	-
Miscellaneous	1 080 58	-	-	-
Training	908 10	-	-	-
Insurance and fringes:				
Social security	3 155 08	-	-	-
Insurance	18 704 00	-	-	-
Total expenditures	129 112 25	468 64	-	15 233 66
Excess (deficiency) of revenues over expenditures	41 342 73	3 236 51	233 97	217 34

The accompanying notes are an integral part of these financial statements.

<u>Capital Acquisition</u>	<u>Other Funds</u>	<u>Total</u>
-	-	23 682 67
-	-	51 467 31
-	-	38 745 67
-	-	14 889 00
-	-	28 603 15
-	-	1 019 88
<u>6 715 18</u>	<u>5 922 93</u>	<u>44 075 53</u>
<u>6 715 18</u>	<u>5 922 93</u>	<u>202 483 21</u>
-	-	3 875 00
-	-	6 131 40
-	-	1 458 00
-	-	695 18
-	-	1 200 00
-	-	289 56
-	-	123 93
-	-	8 324 46
-	-	1 015 97
-	-	52 97
-	-	4 374 00
-	-	24 922 70
-	5 244 05	43 495 49
-	-	1 004 68
-	-	29 247 50
-	-	1 080 58
-	-	908 10
-	-	3 155 08
<u>-</u>	<u>-</u>	<u>18 704 00</u>
<u>-</u>	<u>5 244 05</u>	<u>150 058 60</u>
<u>6 715 18</u>	<u>678 88</u>	<u>52 424 61</u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	General	Building	Budget Stabilization	Firemen
Other financing sources (uses):				
Operating transfers in	233 97	-	-	-
Operating transfers out	(11 040 27)	-	(233 97)	-
Total other financing sources (uses)	(10 806 30)	-	(233 97)	-
 Excess (deficiency) of revenues and other sources over expenditures and other uses	 30 536 43	 3 236 51	 -	 217 34
Fund balances, April 1	64 85	15 682 27	7 000 00	2 323 48
Fund Balances, March 31	30 601 28	18 918 78	7 000 00	2 540 82

The accompanying notes are an integral part of these financial statements.

<u>Capital Acquisition</u>	<u>Other Funds</u>	<u>Total</u>
11 040 27	-	11 274 24
-	-	11 274 24
<u>11 040 27</u>	<u>-</u>	<u>-</u>
17 755 45	678 88	52 424 61
<u>4 199 60</u>	<u>3 961 33</u>	<u>33 231 53</u>
<u>21 955 05</u>	<u>4 640 21</u>	<u>85 656 14</u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 52 424 61

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(38 429 67)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 13 994 94

The accompanying notes are an integral part of these financial statements.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the White Cloud Area Fire Department, Newaygo County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Fire Department contain all the Fire Department funds and account groups that are controlled by or dependent on the Fire Department's executive or legislative branches.

The reporting entity is the White Cloud Area Fire Department. The Fire Department is governed by an elected Fire Board. As required by generally accepted accounting principles, these financial statements present the Fire Department as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Fire Department's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Fund

This fund is used to account for the acquisition or construction of major capital facilities.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Fire Department. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Fire Department as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Vehicles	10-20 years
Equipment	3-20 years

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Fire Department provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Fire Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Fire Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Fire Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Fire Board during the fiscal year.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Fire Department to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Board has designated two banks for the deposit of Fire Department funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Fire Department's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>85 656 14</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 206 83
Uninsured and Uncollateralized	-
Total Deposits	<u>100 206 83</u>

The Fire Department did not have any investments as of March 31, 2006.

Note 4 – Capital Assets

Capital asset activity of the Fire Department's Governmental activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
<u>Governmental Activities:</u>				
Vehicles	631 502 00	-	-	631 502 00
Equipment	169 860 45	-	-	169 860 45
Total	801 362 45	-	-	801 362 45
Accumulated Depreciation	(273 628 00)	(38 429 67)	-	(312 057 67)
Net Capital Assets	<u>527 734 45</u>	<u>(38 429 67)</u>	<u>-</u>	<u>489 304 78</u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 5 – Lease

The Fire Department leases the fire building from the City of White Cloud at an annual cost of \$1.

Note 6 – Deferred Compensation Plan

The Fire Department does not have a deferred compensation plan.

Note 7 – Pension Plan

The Fire Department does not have a pension plan.

Note 8 – Risk Management

The Fire Department is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Fire Department has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Transfers In and Transfers Out

For the fiscal year ended March 31, 2006, the Fire Department made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Capital Acquisition	11 040 27	General	11 040 27
General	<u>233 97</u>	Budget Stabilization	<u>233 97</u>
Total	<u>11 274 24</u>	Total	<u>11 274 24</u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
City of White Cloud	24 000 00	24 000 00	23 682 67	(317 33)
Township of Everett	50 995 00	50 955 00	51 467 31	512 31
Township of Lincoln	38 739 00	38 739 00	38 745 67	6 67
Township of Sherman	14 889 00	14 889 00	14 889 00	-
Township of Wilcox	28 761 00	28 761 00	28 603 15	(157 85)
Interest	200 00	200 00	265 00	65 00
Miscellaneous	500 00	6 261 00	12 802 18	6 541 18
Total revenues	<u>158 084 00</u>	<u>163 805 00</u>	<u>170 454 98</u>	<u>6 649 98</u>
Expenditures:				
Fire protection:				
Administrative Board	17 600 00	17 600 00	13 649 14	(3 950 86)
Building and grounds	9 850 00	9 850 00	9 517 33	(332 67)
Fire Department	84 200 00	103 200 00	84 086 70	(19 113 30)
Insurance and fringes	24 800 00	24 800 00	21 859 08	(2 940 92)
Contingency	14 094 00	855 00	-	(855 00)
Capital outlay	2 500 00	2 500 00	-	(2 500 00)
Total expenditures	<u>153 044 00</u>	<u>158 805 00</u>	<u>129 112 25</u>	<u>(29 692 75)</u>
Excess (deficiency) of revenues over expenditures	<u>5 000 00</u>	<u>5 000 00</u>	<u>41 342 73</u>	<u>36 342 73</u>
Other financing sources (uses):				
Operating transfers in	-	-	233 97	233 97
Operating transfers out	(5 000 00)	(5 000 00)	(11 040 27)	(6 040 27)
Total other financing sources (uses)	<u>(5 000 00)</u>	<u>(5 000 00)</u>	<u>(10 806 30)</u>	<u>(5 806 30)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	30 536 43	30 536 43
Fund balance, April 1	-	-	64 85	64 85
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>30 601 28</u>	<u>30 601 28</u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

BUDGETARY COMPARISON SCHEDULE – BUILDING FUND
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	-	-	520 91	520 91
Miscellaneous	4 900 00	4 900 00	3 184 24	(1 715 76)
Total revenues	<u>4 900 00</u>	<u>4 900 00</u>	<u>3 705 15</u>	<u>(1 194 85)</u>
Expenditures:				
Fire Protection	2 675 00	2 675 00	468 64	(2 206 36)
Total expenditures	<u>2 675 00</u>	<u>2 675 00</u>	<u>468 64</u>	<u>(2 206 36)</u>
Excess (deficiency) of revenues over expenditures	<u>2 225 00</u>	<u>2 225 00</u>	<u>3 236 51</u>	<u>1 011 51</u>
Fund balance, April 1	-	-	15 682 27	15 682 27
Fund Balance, March 31	<u><u>2 225 00</u></u>	<u><u>2 225 00</u></u>	<u><u>18 918 78</u></u>	<u><u>16 693 78</u></u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIREMEN FUND
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Miscellaneous	13 900 00	16 000 00	15 451 00	(549 00)
Total revenues	<u>13 900 00</u>	<u>16 000 00</u>	<u>15 451 00</u>	<u>(549 00)</u>
Expenditures:				
Fire Protection	9 800 00	16 000 00	15 233 66	(766 34)
Total expenditures	<u>9 800 00</u>	<u>16 000 00</u>	<u>15 233 66</u>	<u>(766 34)</u>
Excess (deficiency) of revenues over expenditures	<u>4 100 00</u>	<u>-</u>	<u>217 34</u>	<u>217 34</u>
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>2 323 48</u>	<u>2 323 48</u>
Fund Balance, March 31	<u><u>4 100 00</u></u>	<u><u>-</u></u>	<u><u>2 540 82</u></u>	<u><u>2 540 82</u></u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

BUDGETARY COMPARISON SCHEDULE – CAPITAL ACQUISITION FUND
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Miscellaneous	3 000 00	3 000 00	6 715 18	3 715 18
Total revenues	<u>3 000 00</u>	<u>3 000 00</u>	<u>6 715 18</u>	<u>3 715 18</u>
Expenditures:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>3 000 00</u>	<u>3 000 00</u>	<u>6 715 18</u>	<u>3 715 18</u>
Other financing sources (uses):				
Operating transfers in	5 000 00	5 000 00	11 040 27	6 040 27
Total other financing sources (uses)	<u>5 000 00</u>	<u>5 000 00</u>	<u>11 040 27</u>	<u>6 040 27</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>8 000 00</u>	<u>8 000 00</u>	<u>17 755 45</u>	<u>9 755 45</u>
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>4 199 60</u>	<u>4 199 60</u>
Fund Balance, March 31	<u><u>8 000 00</u></u>	<u><u>8 000 00</u></u>	<u><u>21 955 05</u></u>	<u><u>13 955 05</u></u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2006

	<u>Building</u>	<u>Budget Stabilization</u>	<u>Firemen</u>	<u>Auxiliary</u>
<u>Assets</u>				
Cash in bank	18 918 78	7 116 02	2 540 82	4 640 21
Total Assets	<u>18 918 78</u>	<u>7 116 02</u>	<u>2 540 82</u>	<u>4 640 21</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	-	116 02	-	-
Total liabilities	-	116 02		
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	18 918 78	7 000 00	2 540 82	4 640 21
Total fund equity	<u>18 918 78</u>	<u>7 000 00</u>	<u>2 540 82</u>	<u>4 640 21</u>
Total Liabilities and Fund Equity	<u>18 918 78</u>	<u>7 116 02</u>	<u>2 540 82</u>	<u>4 640 21</u>

Total

33 215 83

33 215 83

116 02

116 02

33 099 81

33 099 81

33 215 83

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2006

	<u>Building</u>	<u>Budget Stabilization</u>	<u>Firemen</u>	<u>Auxiliary</u>
Revenues:				
Interest	520 91	233 97	-	-
Miscellaneous	3 184 24	-	15 451 00	5 922 93
Total revenues	3 705 15	233 97	15 451 00	5 922 93
Expenditures:				
Fire protection:				
Supplies	468 64	-	15 233 66	5 244 05
Total expenditures	468 64	-	15 233 66	5 244 05
Excess (deficiency) of revenues over expenditures	3 236 51	233 97	217 34	678 88
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	(233 97)	-	-
Total other financing sources (uses)	-	(233 97)	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	3 236 51	-	217 34	678 88
Fund balances, April 1	15 682 27	7 000 00	2 323 48	3 961 33
Fund Balances, March 31	18 918 78	7 000 00	2 540 82	4 640 21

Total

754 88
24 558 17

25 313 05

20 946 35

20 946 35

4 366 70

-
(233 97)
(233 97)

4 132 73

28 967 08

33 099 81

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 12, 2006

To the Fire Board
White Cloud Area Fire Department
Newaygo County, Michigan

We have audited the financial statements of the White Cloud Area Fire Department for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the White Cloud Area Fire Department accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Fire Board
White Cloud Area Fire Department
Newaygo County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Fire Department's financial statements and this communication of these matters does not affect our report on the Fire Department's financial statements, dated March 31, 2006.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants